

would place the County and cable system users and subscribers substantially in the same position with regard to rates as if this Settlement Agreement were fully enforceable.

8.3. If such finding of unenforceability applies to Section 4 of this Settlement Agreement, and if the negotiations described in Section 8.2 should result in agreement between the parties on a different method for achieving the goals of this Agreement, the parties shall implement that method as quickly as possible, and it shall be subject to the conditions of this Section.

8.4. If such finding of unenforceability applies to Section 4 of this Settlement Agreement, and if the negotiations described in Section 8.2 do not result in agreement between the parties within sixty days from the date of the final decision referred to in Section 8.2, then either party may call for binding arbitration within thirty days. Such arbitration shall have the goal of placing the parties in the same positions they would occupy if Section 4 of this Settlement Agreement had been fully enforceable. The parties shall select an independent, mutually acceptable arbitrator, who shall have available the full range of appropriate remedies, including but not limited to ordering refunds. The arbitrator's decision shall be final and binding on both parties. SBC-MV and the County will each pay their own costs to appear before the arbitrator and will share the arbitrator's costs equally.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1. Entire Agreement. This Settlement Agreement constitutes the entire agreement of the parties with respect to the settlement of the claims addressed herein. No statements, promises or inducements inconsistent with this Settlement Agreement made by any party shall be valid or binding, unless in writing and executed by all parties. This Settlement Agreement may only be modified by written amendments hereto signed by all parties.

9.2. Severability. If any part, section, subsection, or other portion of this Settlement Agreement or any application thereof to any person or circumstance is declared void, unconstitutional or invalid for any reason, such part, section, subsection or other portion, or the prescribed application thereof, shall be severable, and the remaining provisions of this Settlement Agreement, and applications thereof not having been declared void, unconstitutional or invalid, shall remain in full force and effect.

9.3. Authority. Each signatory to this Settlement Agreement represents that he or she has the authority to enter into this Settlement Agreement.

9.4. Voluntary Agreement. This Settlement Agreement is freely and voluntarily given by all of the parties, without any duress or coercion, and after each party has consulted with its counsel. Each party hereto has carefully and completely read all

of the terms and provisions of this Settlement Agreement. Each party hereto acknowledges that this is a full, complete and final mutual release as set forth previously herein.

9.5. Successors and Assigns. This Settlement Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors in interest, assigns, personal representatives and heirs.

9.6. Counterparts. This Settlement Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original copy, and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all parties shall not have signed the same counterpart.

9.7. Headings. The headings in this Settlement Agreement are for convenience of reference only and are not a material part of this Settlement Agreement. They shall not be used in determining the intent of the parties.

9.8. Governing Law. Except as to matters which are governed solely by federal law or regulation, this Settlement Agreement shall be governed by and construed, and the legal relations between the parties determined, in accordance with the laws of the State of Maryland.

IN WITNESS WHEREOF, this Settlement Agreement is executed by
the parties as follows:

MONTGOMERY COUNTY, MARYLAND

By Neal Potter
Neal Potter
County Executive

Oct. 15, 1993
Date

MONTGOMERY CABLEVISION LIMITED PARTNERSHIP
By MONTGOMERY CABLEVISION CORPORATION,
General Partner

By Gustave M. Hauser
Gustave M. Hauser
Chairman

10/15/93
Date

SBC MEDIA VENTURES, INC.

By James S. Kahan (by HAH)
James S. Kahan
Executive Vice President

10/15/93
Date

ACKNOWLEDGED:

SOUTHWESTERN BELL CORPORATION

By James S. Kahan (by HAH)
James S. Kahan
Senior Vice President-Corporate
Development and Strategic Planning

10/15/93
Date

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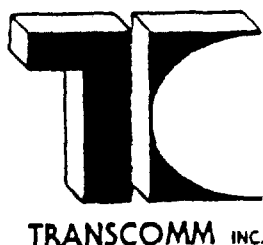
APPROVED AS TO FORM AND LEGALITY.
OFFICE OF COUNTY ATTORNEY
BY A. K. Hart
DATE 10/15/93

1993 Cable Television Price Comparison*
In Order By Full Service Rate

CABLE SERVICE	Basic Service	Number Channels	Price/ Channel	Full Service	Number Channels	Price/ Channel	Remote Control	Additional Outlets	Converter	Typical** Service Package
Fairfax – Media-General	\$11.45	40	\$0.29	\$33.45	71	\$0.47	\$0.41	\$0.00	\$3.05	\$37.32
Loudoun – Cablevision	\$12.93	24	\$0.54	\$32.63	51	\$0.64	\$0.43	\$0.00	\$3.80	\$37.29
Prince Georges' – Multivision	\$11.55	30	\$0.39	\$28.95	60	\$0.48	\$0.00	\$0.00	\$3.05	\$35.05
Arlington – Cable TV Arlington (Hauser)	\$12.63	18	\$0.70	\$28.25	45	\$0.63	\$5.95	\$5.95	\$0.00	\$46.10
Montgomery – CTM (Hauser)	\$14.86	30	\$0.50	\$28.17	57	\$0.49	\$5.27	\$6.34	\$0.00	\$45.05
Washington D.C. – Dist. Cablevis. (TCI)	\$11.52	19	\$0.61	\$26.09	52	\$0.50	\$0.00	\$0.00	\$4.39	\$34.87
Reston – Warner	\$13.46	26	\$0.52	\$25.53	53	\$0.48	\$0.18	\$0.00	\$0.46	\$26.81
Baltimore County – Comcast	\$9.03	14	\$0.65	\$25.00	46	\$0.54	\$0.43	\$0.00	\$2.46	\$30.78
Prince Georges' – Metrovision	\$11.54	33	\$0.35	\$23.08	66	\$0.35	\$0.42	\$0.00	\$2.04	\$27.99
Alexandria – Jones Intercable	\$10.28	18	\$0.57	\$22.61	44	\$0.51	\$0.00	\$0.00	\$1.52	\$25.65
Howard – Comcast	\$10.40	17	\$0.83	\$21.88	46	\$0.48	\$0.33	\$0.00	\$1.87	\$27.13
Baltimore City – United Artist Cable	\$10.00	12	\$0.83	\$21.48	32	\$0.67	\$0.07	\$0.00	\$0.97	\$23.56
Ann Arundel – Jones Intercable North	\$8.00	22	\$0.36	\$21.20	49	\$0.43	\$4.00	\$4.00	\$0.00	\$33.20
Ann Arundel – Jones Intercable South	\$8.00	22	\$0.36	\$21.20	43	\$0.49	\$4.00	\$4.00	\$0.00	\$33.20

* All prices include franchise fees, although many operators quoted prices without franchise fees.
Since a number of operators provided initial price quotes which differed from quotes obtained from follow-up verification calls, this survey represents our best attempt to display accurate information.

** A typical service package includes service to 2 television sets each with converters and remote controls.



CONSULTANTS IN: ENGINEERING AND ECONOMICS
REGULATED INDUSTRIES
COMMUNICATIONS
ENERGY
TRANSPORTATION

September 24, 1993

Mr. Robert P. Hunnicutt
Executive Staff Specialist
Office of Consumer Affairs
Cable Television
Montgomery County Government
100 Maryland Avenue
Rockville, MD 20850

Re: TRANSCOMM Report on SBC-MV
Proposed Purchase of CTM

Dear Mr. Hunnicutt:

This will summarize TRANSCOMM's conclusions that relate to acquisition costs.

In the proposed purchase SBC-MV allocated approximately \$534 million for the purchase of the assets of CTM. CTM's estimated net book value was approximately \$105 million at July 31, 1993, the anticipated closing date of the transactions assumed in the financial projections that TRANSCOMM analyzed. SBC-MV's acquisition premium (the excess of the purchase price over the value of the acquired assets) of approximately \$429 million is included as intangible costs of franchise and goodwill and is amortized in SBC-MV's projections along with depreciation.

The amount by which the purchase price exceeds the original asset cost, and the potential recognition of that amount for ratemaking purposes under the FCC's rules, is the most significant cost-of-service issue presently facing the County.

If the acquisition premium costs are permitted for ratemaking under the FCC's proposed cost-of-service approach, cable subscribers could face excessive rates. That is because if SBC-MV earns a given authorized rate of return based on these inflated costs, ratepayers will have to finance the acquisition premium without receiving any tangible benefit, e.g., better service quality. Absent the inclusion of the acquisition premium in the ratemaking calculus, the authorized rate of return could be achieved at a lower level of subscriber rates. For instance, SBC-MV's pro forma financial data indicate that at the projected subscriber rates the company's rate of return calculated on the FCC basis, and *excluding* premium acquisition costs, grows from 13.05 percent in 1994 to 50.67 percent in 2002, which is well above any conceivable

Mr. Robert P. Hunnicutt
September 24, 1993
Page 2 of 2

authorized rate of return level. However, if SBC-MV were allowed to earn an authorized 10-14 percent rate of return, and include acquisition premium costs for ratemaking purposes, subscribers' rates would have to be much higher than those included in the pro forma financial statements to attain the authorized rate of return.

The impact on individual cable subscribers of allowing the acquisition premium for ratemaking under a cost-of-service approach is substantial. For example, in 1994 the inclusion of acquisition costs for ratemaking could cost the average subscriber an additional \$383 annually. On average, monthly subscriber rates would be increased by almost \$32, or about double current rates for basic services, to allow the cable company to meet its inflated revenue requirement.

If you have any questions, do not hesitate to call TRANSCOMM.

Sincerely,

Fred J. Kelsey
Fred J. Kelsey

SAVINGS TO CABLE SUBSCRIBERS UNDER CTM BENCHMARK RATES

	Units As of August 1993	Monthly Revenues at Aug. 1993 Rates		Monthly Revenues at Benchmark Rates		Subscriber Savings Using Benchmark Rates
	(a)	Rate (b)	Revenues (c=axb)	Rate (d)	Revenues (e=axd)	(f=c-e)
<u>Subscribers</u>						
1. Total	163,226					
2. With Converters-80%	130,581	--	--	\$2.65	\$346,040	(\$346,040)
3. Without Converters-20%	32,645	--	--	--	--	--
4. Basic-Grandfathered	2,000	\$7.40	\$14,800	\$7.40	14,800	0
5. Basic- Other	3,706	10.65	39,469	10.65	39,469	0
6. Preferred	157,520	28.17	4,437,338	27.32	4,303,446	133,892
<u>Miscellaneous Options</u>						
7. Additional outlets	77,327	6.34	490,253	0.00	0	490,253
8. Remotes	104,835	5.27	552,480	0.28	29,354	523,126
9. Total Revenues			\$5,534,340		\$4,733,109	\$801,231
10. Average Cost per Subscriber			\$33.91		\$29.00	\$4.91
11. Total Annual Revenues			\$66,412,080		\$56,797,308	\$9,614,772
12. Total Revenues During Life of Franchise (5 yrs.)			\$332,060,400		\$283,986,540	\$48,073,860

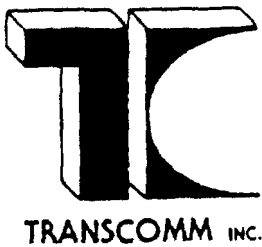
Notes: Rates include 5% local govt. franchise fee and 1.5% local access programming fee.
CTM did not separately charge for converters as of August 1993.

Source: subscribers and rates from CTM.

**OPERATING CASH FLOW
UNDER CTM BENCHMARK AND SBC-MV RATES
BASED ON SBC-MV PRO FORMA FINANCIAL STATEMENTS**

<u>Year</u>	<u>Operating Cash Flow</u>	
	<u>CTM</u>	<u>SBC-MV</u>
	<u>Benchmark</u> <u>Rates</u> <u>(a)</u>	<u>Pro Forma</u> <u>Rates</u> <u>(b)</u>
1994	\$46,872,000	\$57,449,000
1995	51,988,000	63,381,000
1996	57,251,000	69,452,000
1997	62,272,000	75,321,000
1998	67,810,000	81,783,000
1999	73,845,000	88,822,000
2000	80,761,000	96,782,000
2001	87,967,000	105,112,000
2002	<u>95,399,000</u>	<u>113,725,000</u>
Total	\$624,165,000	\$751,827,000

**IN ORDER FOR SBC-MV TO ATTAIN THE OPERATING CASH FLOWS
IN ITS ORIGINAL PRO FORMA FINANCIAL STATEMENTS (COL. B),
BASIC AND OTHER HOME BILLING RATES WOULD HAVE TO BE
INCREASED BY 17% ABOVE BENCHMARK RATES IN 1994**



CONSULTANTS IN: ENGINEERING AND ECONOMICS

REGULATED INDUSTRIES
COMMUNICATIONS
ENERGY
TRANSPORTATION

September 23, 1993

Mr. Robert P. Hunnicutt
Executive Staff Specialist
Office of Consumer Affairs
Cable Television
Montgomery County Government
100 Maryland Avenue
Rockville, MD 20850

Dear Mr. Hunnicutt:

With respect to the proposed sale of the Montgomery County and Arlington County cable television (CATV) systems to the Southwestern Bell Corporation, TRANSCOMM has reviewed various correspondence to and from the systems' owner, Mr. Gustave Hauser (hereinafter Hauser), regarding the appropriateness of the purchase price of \$650 million.

In particular, Salomon Brothers sent a letter to Hauser on August 10, 1993 indicating that the "\$650 million dollars [sic] paid represents an operating cash flow multiple of 10.7 times, which is lower than the other four recent large private market transactions, making the value paid by Southwestern Bell reasonable and certainly within the bounds of comparability." It is claimed that the industry gives more weight to operating cash flow multiples than to the purchase price per subscriber.

On August 18, 1993, Hauser submitted to the Montgomery County Government a summary of recently announced or proposed CATV company sales obtained from the published newsletter of Paul Kagan Associates, Inc. (PKA). The summary shows that the proposed sale produces a cash flow multiple that is slightly above the average for the entire list of over 50 systems cited in the newsletter (10.6 versus 10.3). Hauser claims that the PKA analysis confirms that the \$650 million proposed purchase price is thereby consistent with what is occurring within the industry.

The Salomon Brothers letter attempts to make the case that the price SBC-MV proposes to pay for the Montgomery County system is not "high" and therefore should be of no concern to the County as it reviews the proposed transfer. In fact, this is not a correct conclusion that can be derived from the use of a cash flow

Mr. Robert P. Hunnicutt
September 23, 1993
Page 2 of 3

multiple. A more relevant comparison for addressing subscriber pricing concerns is the purchase price paid per subscriber. The fact that the cash flow multiple is lower in one transaction than another only gives insight into the level of certainty the purchaser associates with the projected cash flows. It does not resolve the effect the absolute price paid will have on subscriber prices.

The same PKA information provided by Hauser shows that the Southwestern Bell proposal results in a cost of \$2,889 per subscriber. This is by far the highest figure of the over 50 transactions listed (it is 25 percent higher than the next highest of \$2,314). In addition, even after adjusting the PKA data for penetration, the Southwestern Bell proposal ranks as the highest. This fact alone provides a flag that further analysis of the underlying data is required to determine if cable rates are excessive at the present time or are planned to be increased in the future.

A cash flow multiple approach does not address the issue of an appropriate purchase price based on future projected rate levels for CATV subscribers. The calculation of the multiple is simply the ratio of the purchase price to cash flow, however the cash flow may be calculated. The multiple of 10.7 is the *ratio* of the numerator to the denominator. The multiple of 10.7 provides no indication of whether existing subscriber rates are too high, too low, or at an appropriate level. This can be shown by the following illustration.

The numerator of the "multiple" equation is the purchase price and the denominator is cash flow. Cash flow is comprised of several components which generally include revenues less cash expenses (excludes depreciation and other noncash expenses). Thus, a multiple of 10.7 can be obtained with an infinite combination of purchase price and revenue levels. The following simple example will demonstrate this phenomenon.

Implied in the multiple of 10.7 and a purchase price of \$650 million is a cash flow of about \$61 million ($650 \div 10.7$). Assume that revenues are \$110 million, which implies that the other components in total are \$49 million ($110 - 61$). Since these other components generally will not change significantly if revenues change, they will be kept constant for the example. Thus, the "multiple" equation is:

$$\text{Multiple} = \frac{\text{Purchase Price}}{\text{Revenues} - \$49 \text{ M}}$$

Mr. Robert P. Hunnicutt
September 23, 1993
Page 3 of 3

The following combinations of purchase price and revenues produce the same multiple of 10.7:

Purchase Price-M	\$650	\$600	\$550	\$500	\$300
Revenues-M	110.0	105.0	100.4	95.7	77.0

Since revenues are a function of rates (and demand, which is constant in the example), the preceding example shows why it is not possible to ascertain the appropriateness of rate levels from the cash flow multiple. Excessive rates produce high revenues, which in turn lead to high operating cash flows. Thus, the purchase price would be lower if rate levels were lower. Said another way, the higher operating cash flows resulting from excessive rates drag down the multiple.

A more appropriate method to gauge whether the purchase price will force future CATV rate levels higher is to compare the purchase price per subscriber with other recent purchases. If a particular purchase price per subscriber is relatively high compared to other recent transactions, the purchaser will have a strong incentive to capture excessive monopoly cable profits which in turn generate high revenues in relation to costs. Another possibility for a high per subscriber purchase price is that the price may be in anticipation of an expansion in the number of system subscribers through increased CATV penetration. However, adjusting the PKA data to reflect penetration tends to dispel this notion, e.g., the same transaction has the highest ranked purchase price per subscriber where the data is adjusted solely for penetration.

A comparison of cash flow multiples will not enable a determination of the appropriateness of cable rate levels. It does provide insight into the incentive of the purchaser to maintain and increase existing rate levels. A comparison of purchase price per subscriber data is a more meaningful indication of whether subscriber rates are too high and may be forced even higher by the purchase price.

If you have any questions, do not hesitate to call TRANSCOMM.

Sincerely,

Fred J. Kelsey
Fred J. Kelsey

RATE REGULATION INDUSTRY COMPARISON

	Telephone	Broadcast	Electric Power	Cable
Who regulates rates	State public utilities Commissions <u>and</u> FCC 47 USC §§ 204-205	N/A No subscriber rates 47 USC §§ 3(h), 303	State public utilities commissions <u>and</u> FERC 16 USC 824(a)	Franchising authorities <u>and</u> FCC 47 USC § 623(a)-(c)
How excess acquisition costs are treated at federal level	Excluded from rate base 47 CFR § 65.820	N/A	Excluded from rate base; used and useful	?
Who approves transfers	State public utilities commissions <u>and</u> FCC §§ 214(a), 221(a)	FCC § 310(d)	State public utilities commissions <u>and</u> FERC 16 USC § 824b(a); 15 U.S.C. § 79(e)	Franchising authorities 47 USC § 617(e)

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ATTACHMENT 6

Pro Forma

Income Statement

Income Statement		Montgomery									
	Partial*	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Revenue		16,650	107,638	118,588	129,607	140,030	150,774	161,536	172,583	185,103	198,375
Operating Expenses		8,153	52,029	57,005	61,692	66,456	71,352	76,232	81,157	86,649	92,467
EBDIAT		8,497	55,609	61,583	67,915	73,575	79,422	85,304	91,426	98,454	105,908
Depreciation		2,635	15,809	17,058	18,366	19,740	21,177	22,670	24,270	25,954	27,715
Operating Profit		5,862	39,800	44,525	49,549	53,835	58,245	62,634	67,156	72,500	78,193
Amortization of Intangibles		2,318	13,910	13,910	13,910	13,910	13,910	13,910	13,910	13,910	13,910
Amortization of Goodwill		536	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214
EBIT		3,008	22,676	27,401	32,425	36,711	41,121	45,510	50,032	55,376	61,069
Interest (Income)		0	0	0	0	0	0	0	0	0	0
Interest Expense		4,730	27,671	26,252	24,833	22,704	19,866	17,028	13,658	9,756	5,853
EBT		(1,722)	(4,995)	1,150	7,593	14,007	21,255	28,482	36,374	45,621	55,215
Income Taxes		0	0	455	3,003	5,540	8,406	11,265	14,386	18,043	21,838
Net Income		(1,722)	(4,995)	695	4,590	8,467	12,849	17,217	21,988	27,578	33,378

* Partial 1993 financial data reflects SBC - MV assuming ownership 11/1/93.

Pro Forma Balance Sheet

Montgomery

ASSETS	12/31/93	1994	1995	1996	1997	1998	1999	2000	2001	2002
Cash & Marketable Securities	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Accounts Receivable	4,410	4,843	5,295	5,735	6,184	6,633	7,125	7,125	7,125	7,125
Other Current Assets	1,845	2,026	2,215	2,400	2,587	2,775	2,875	2,975	3,075	3,175
Total Current Assets	8,255	8,869	9,510	10,135	10,771	11,408	12,000	12,100	12,200	12,300
Property, Plant & Equipment	145,282	158,086	170,583	183,664	197,398	211,773	226,698	242,704	259,541	277,151
Accumulated Depreciation	(2,635)	(18,444)	(35,502)	(53,868)	(73,608)	(94,785)	(117,455)	(141,725)	(167,679)	(195,394)
Net Property, Plant & Equip.	142,647	139,642	135,081	129,796	123,790	116,988	109,243	100,979	91,862	81,757
Other Assets	495	543	594	643	694	744	799	868	944	1,025
Intangibles:										
Franchise Licenses	339,640	325,730	311,820	297,910	284,000	270,090	256,180	242,270	228,360	214,450
Permanent Goodwill*	39,351	37,744	36,137	34,530	32,923	31,316	29,709	27,102	26,495	24,888
Goodwill	39,115	37,508	35,901	34,294	32,687	31,080	29,473	27,866	26,259	24,652
Total Intangibles	418,106	400,982	383,858	366,734	349,610	332,486	315,362	298,238	281,114	263,990
TOTAL ASSETS	569,503	555,769	534,751	512,712	490,270	467,031	442,915	418,468	393,266	367,143
LIABILITIES & SH EQUITY	12/31/93	1994	1995	1996	1997	1998	1999	2000	2001	2002
Accounts Payable	12,111	13,000	14,073	12,096	14,666	15,098	12,502	14,098	12,500	11,500
Other Current Liabilities	10,934	12,009	13,130	10,125	11,334	11,328	8,058	9,331	6,499	7,000
Total Current Liabilities	23,045	25,009	27,203	22,221	26,000	26,426	20,560	23,429	18,999	18,500
Bank Debt	344,000	326,800	309,600	292,400	258,000	223,600	189,200	141,900	94,600	47,300
Deferred Taxes	14,180	20,677	13,970	9,523	9,235	7,121	6,054	4,050	3,000	2,000
TOTAL LIABILITIES	381,225	372,486	350,773	324,144	293,235	257,147	215,814	169,379	116,599	67,800
Paid-in-Capital	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Retained Earnings	(1,722)	(6,717)	(6,022)	(1,432)	7,035	19,884	37,101	59,089	86,667	109,343
TOTAL SH EQUITY	188,278	183,283	183,978	188,568	197,035	209,884	227,101	249,089	276,667	299,343
TOTAL LIAB. & SH EQUITY	569,503	555,769	534,751	512,712	490,270	467,031	442,915	418,468	393,266	367,143

* Permanent Goodwill balance as required by FAS #109.

Pro Forma

Funds Flow Statement

Montgomery

SOURCES & USES OF CASH	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Beginning Cash	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Sources :										
Net Income	(1,722)	(4,995)	695	4,590	8,467	12,849	17,217	21,988	27,578	33,378
Depreciation	2,635	15,809	17,058	18,366	19,740	21,177	22,670	24,270	25,954	27,715
Amortization of Intangibles	2,318	13,910	13,910	13,910	13,910	13,910	13,910	13,910	13,910	13,910
Amortization of Goodwill	536	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214
Increase in Deferred Taxes		6,497	(6,707)	(4,447)	(288)	(2,114)	(1,067)	(2,004)	(1,050)	(1,000)
Increase in Debt	344,000	(17,200)	(17,200)	(17,200)	(34,400)	(34,400)	(34,400)	(47,300)	(47,300)	(47,300)
Equity	190,000	0	0	0	0	0	0	0	0	0
Increase in Accounts Payable	0	889	1,073	(1,977)	2,570	432	(2,596)	1,596	(1,598)	(1,000)
Increase in Other Current Liab.	0	1,075	1,121	(3,005)	1,209	(6)	(3,270)	1,273	(1,832)	501
Total Sources of Funds	537,767	19,199	13,164	13,451	14,422	15,062	15,678	16,947	18,876	29,418

Uses :

Capital Expenditures	1,767	18,537	12,472	12,777	13,735	14,375	15,031	13,987	14,569	15,240
Increase in Accounts Receivable	0	433	452	440	449	449	492	0	0	0
Increase in Other Cur. Assets	0	181	189	185	187	188	100	100	100	100
Increase in Other Assets	0	48	51	49	51	50	55	69	76	81
System Purchase	534,000	0	0	0	0	0	0	0	0	0
Common Dividends		0	0	0	0	0	0	2,791	4,131	13,997
Total Uses of Funds	535,767	19,199	13,164	13,451	14,422	15,062	15,678	16,947	18,876	29,418
Ending Cash	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000

DEBT REPAYMENT SCHEDULE	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Beginning Debt	344,000	344,000	326,800	309,600	292,400	258,000	223,600	189,200	141,900	94,600
Principle Repayment	0	17,200	17,200	17,200	34,400	34,400	34,400	47,300	47,300	47,300
Ending Debt	344,000	326,800	309,600	292,400	258,000	223,600	189,200	141,900	94,600	47,300

INTEREST EXP. SCHEDULE	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Interest Expense *	4,730	27,671	26,252	24,833	22,704	19,866	17,028	13,658	9,756	5,853

* Interest Expense is based on the average debt outstanding balance at the end of the year @ 8.25%.

Pro Forma

Operating Assumptions

Montgomery

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Homes Passed - Beginning	298,860	305,423	312,558	319,813	327,190	334,691	342,319	349,076	355,965	362,988
Homes Passed Built	6,563	7,135	7,255	7,377	7,501	7,628	6,757	6,889	7,023	7,023
Homes Passed - Ending	305,423	312,558	319,813	327,190	334,691	342,319	349,076	355,965	362,988	370,011
Basic SUBS - Beginning	175,429	181,720	192,474	202,849	213,754	224,121	233,814	242,005	250,483	259,256
Connecting SUBS	61,514	66,179	67,156	68,717	69,149	69,084	70,152	72,609	75,151	77,683
Disconnecting SUBS	(55,223)	(55,425)	(56,780)	(57,812)	(58,782)	(59,392)	(61,960)	(64,132)	(66,378)	(68,703)
SUBS - Ending	181,720	192,474	202,849	213,754	224,121	233,814	242,005	250,483	259,256	268,236
Average BASIC Subs % Growth	174,312	183,671	194,490	205,098	215,452	225,474	234,665	242,909	251,608	260,436
		5.4%	5.9%	5.5%	5.0%	4.7%	4.1%	3.5%	3.6%	3.5%
Average Pay Units	161,151	169,804	176,888	183,461	189,490	194,922	199,348	202,708	209,967	217,334
		5.4%	4.2%	3.7%	3.3%	2.9%	2.3%	1.7%	3.6%	3.5%

Pro Forma

Expense Assumptions

Montgomery

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Programming	Annual Percentage Increase									
Basic	14.4%	13.7%	14.3%	10.7%	10.3%	9.8%	9.2%	8.7%	8.7%	8.7%
Pay	8.1%	7.3%	9.6%	9.2%	5.0%	4.6%	4.0%	3.5%	3.6%	3.5%
PPV	6.8%	17.0%	17.9%	17.6%	5.0%	4.6%	4.0%	3.5%	3.6%	3.5%
Copyright	-25.8%	10.8%	11.2%	10.7%	5.0%	4.6%	4.0%	3.5%	3.6%	3.5%
Operations/Engineering										
Engineering	11.3%	3.0%	6.1%	5.0%	8.0%	7.7%	7.1%	6.8%	7.3%	7.2%
Operations	16.0%	4.1%	6.4%	5.4%	8.0%	7.7%	7.1%	6.8%	7.3%	7.2%
Marketing										
Direct Sales	2.9%	-0.9%	2.2%	2.3%	8.0%	7.7%	7.1%	6.8%	7.3%	7.2%
Telemarketing	3.8%	1.9%	2.4%	2.5%	8.0%	7.7%	7.1%	6.8%	7.3%	7.2%
Ad Sales / CSR	10.7%	5.3%	7.7%	7.6%	8.0%	7.7%	7.1%	6.8%	7.3%	7.2%
Administrative										
Bad Debt Expense	14.9%	7.7%	10.4%	9.2%	8.0%	7.7%	7.1%	6.8%	7.3%	7.2%
Administrative	3.9%	-0.8%	2.1%	2.9%	8.0%	7.7%	7.1%	6.8%	7.3%	7.2%

Pro Forma

Operating Cash Flow Summary

Montgomery

partial *

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Basic Revenue	9,156	59,910	65,659	71,664	77,916	84,395	90,909	97,397	104,415	111,862
Other Home Billing	1,965	5,023	5,554	6,102	6,663	7,243	7,840	8,410	9,026	9,680
Pay Revenue	3,289	21,284	23,222	24,846	25,751	26,583	27,286	27,852	28,984	30,140
PPV Revenue	696	4,863	5,735	6,744	7,525	8,369	9,261	10,198	11,243	12,392
Digital Audio	146	1,301	1,709	2,152	2,612	3,100	3,608	4,507	5,486	6,528
Advertising Revenue	388	2,635	2,985	3,353	3,738	4,138	4,541	4,945	5,374	5,823
Other Revenue(Equipment/Instal)	(5)	6,053	6,488	6,836	7,279	7,744	8,232	8,742	9,278	9,842
Franchise Fee Revenue	782	5,053	5,568	6,085	6,574	7,079	7,584	8,102	8,690	9,313
Program Access Fee Revenue	235	1,516	1,670	1,825	1,972	2,124	2,275	2,431	2,607	2,794
Total Revenue	18,650	107,838	118,588	129,607	140,030	150,774	161,536	172,583	185,103	198,375
Programming	2,983	19,853	22,320	24,705	26,494	28,324	30,133	31,906	33,824	35,855
Cost of Services	1,387	8,623	9,162	9,643	10,418	11,218	12,018	12,840	13,772	14,759
Marketing	1,581	9,825	10,880	11,734	12,677	13,650	14,624	15,624	16,758	17,959
Administrative	1,187	7,158	7,406	7,700	8,319	8,958	9,597	10,254	10,997	11,786
Franchise Fees	782	5,053	5,568	6,085	6,574	7,079	7,584	8,102	8,690	9,313
Program Access Fees	235	1,516	1,670	1,825	1,972	2,124	2,275	2,431	2,607	2,794
Total Operating Expense	8,153	52,029	57,005	61,692	66,456	71,352	76,232	81,157	86,649	92,467
Operating Cash Flow	8,497	55,809	61,583	67,915	73,575	79,422	85,304	91,428	98,454	105,908

* Partial 1993 financial data reflects SBC - MV assuming ownership 11/1/93.

Pro Forma

Assumptions for Basic Rates *

Montgomery

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Basic	\$13.95	\$14.44	\$14.94	\$15.47	\$16.01	\$16.57	\$17.15	\$17.75	\$18.37	\$19.01
Annual % Increase		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Preferred Basic	\$26.45	\$27.38	\$28.33	\$29.33	\$30.35	\$31.41	\$32.51	\$33.65	\$34.83	\$36.05
Annual % Increase		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

* Rates for basic cable television service are projected to rise at the rate of inflation (assumed to be 3.5%). Rates are influenced by a number of factors, including but not limited to: changes in regulation, programming availability and expense, competition, technology, inflation and market demand for CATV services.

Table 4

SELECTED DATA

12 Months, 1990 - 1992 & 5 Months, 1993
(Amounts in millions except for subscribers)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u> (5 mos.)
Total Revenues	\$12.8	\$14.6	\$15.6	\$ 6.8
Operating Profit (Loss)	(1.3)	(1.6)	(0.2)	(0.8)
Operating Cash Flow	4.9	5.1	5.7	2.6
Adjusted Oper. Cash Flow ¹	6.3	6.8	7.5	3.4
Net Plant Assets	14.9	14.9	16.5	16.9
Total Assets ²	31.1	27.2	64.1	61.8
Average # Basic Subs	29,846	32,708	33,673	34,246

1. Adjustment to exclude parent company management fees and allocated overhead.

2. Amounts for 1992 & 1993 restated to reflect sale of system